

# Economic Briefs

Week of June 1, 2007

## **Sales/Consumption**

### **Record Gas Doesn't Crimp Big 3 Sales**

<http://money.cnn.com/2007/06/01/news/companies/autosales/index.htm?postversion=2007060114>

Car buyers apparently looked past record gas prices in May as General Motors and Chrysler Group both posted sales gains, while Ford Motor saw sales fall by less than forecasts.

GM, the nation's No. 1 automaker, saw its car and light truck sales up 9.6 percent compared to a year earlier. While some of its large vehicles, such as GMC Yukon SUV, saw slightly lower sales, its new full-size pickups weathered the gas price spike to post improved sales.

Sales declines continued at Ford, as sales of the best-selling pickup and SUV models at the nation's No. 2 automaker both fell more than 10 percent. But a gain in sales in the so-called crossover vehicles, the name for the new more car-like SUV's, helped keep overall light truck sales there flat.

DaimlerChrysler reported a modest 4 percent gain in sales, even though its Chrysler Group unit is the automaker most heavily dependent on sales of light trucks such as minivans, pickups and SUVs.

### **Consumer Confidence Rebounds Sharply**

<http://money.cnn.com/2007/05/29/news/economy/confidence/index.htm?postversion=2007052910>

Consumer confidence rebounded sharply in the latest survey, as consumers shrugged off record high gasoline prices and falling home values, focusing instead on gains in the stock market and a strong employment picture. The survey by the business research group The Conference Board put its consumer confidence index at 108 for May, up from the 106.3 reading in April, which was revised up from an initial reading of 104.

The index's two main components, the Present Situation Index and the Expectations Index, both showed gains. The Present Situation Index increased to 136.1 from 133.5 in April, while the Expectations Index edged up to 89.2 from 88.2. Those who told the survey that current conditions are "good" rose to 29.4 percent in May from 27.5 percent in April. That's more than twice the 14.5 percent who consider current conditions to be "bad."

As to the employment outlook, those claiming jobs are "plentiful" was unchanged at 29.0 percent in May, but that was well ahead of the 19.9 percent who said they were "hard to get." The percent of those expecting more jobs in the months ahead was relatively flat at 13.3 percent, slightly less than the 15.7 who believe there will be fewer jobs. That more negative view was also unchanged.

### **Consumers Undaunted By High Gas Prices**

<http://money.cnn.com/2007/06/01/news/economy/consumer.reut/index.htm?postversion=2007060110>

U.S. consumer sentiment rose in May as consumers remained resilient despite record high gasoline prices. The Reuters/University of Michigan Surveys of Consumers said its final May reading on consumer sentiment index rose to 88.3 from 87.1 at the end of April. The preliminary May reading, released in mid-May, was 88.7.

The survey's gauge of current consumer conditions edged up to 105.1 in May from April's final reading of 104.6, while its final measure on consumer expectations was 77.6, a shade higher than 75.9 at the end of April.

### **Incomes See First Drop In Two Years**

[http://money.cnn.com/2007/06/01/news/economy/spending\\_income.reut/index.htm?postversion=2007060108](http://money.cnn.com/2007/06/01/news/economy/spending_income.reut/index.htm?postversion=2007060108)

U.S. incomes fell surprisingly by 0.1 percent in April, the first drop in almost two years, but core consumer prices - a key measure of inflation - inched up a less-than-expected 0.1 percent. The first decline in incomes since August 2005 came on a decline in wages and salaries after unusually large bonuses and exercising of stock options during the first three months of the year. April consumer spending fell 0.1 percent, the first decline since August 2005. The April saving rate slipped to minus 1.3 percent, the lowest level since August 2006.

## **Manufacturing/Output**

### **Economic Growth Slowest Since '02**

<http://money.cnn.com/2007/05/31/news/economy/gdp/index.htm?postversion=2007053109>

The economy grew at its slowest pace since 2002 in the first three months of the year. The Commerce Department's gross domestic product report, the broadest measure of the nation's economic activity, showed an annual growth rate of 0.6 percent in the first quarter. That's down from its initial estimate of 1.3 percent growth.

It was the slowest period of growth since the fourth quarter of 2002, when the economy showed only a meager 0.2 percent rise. A pick-up in imports, which subtract from the nation's economic activity, is one of the reasons that the reading was revised lower.

The slump in the nation's housing market subtracted about 0.9 percentage points from growth, but that's a slight improvement from the month-ago reading when it was estimated to have cost the economy almost a full percentage point.

### **Construction Spending Nudges Higher**

[http://money.cnn.com/2007/05/31/news/economy/construction\\_spending.reut/index.htm?postversion=2007053110](http://money.cnn.com/2007/05/31/news/economy/construction_spending.reut/index.htm?postversion=2007053110)

U.S. construction spending eked out a small, unexpected 0.1 percent gain in April on solid public and commercial building, while residential activity remained weak. Spending in March was revised up to a 0.6 percent gain from a previous 0.2 percent advance. Construction spending in April was down 2 percent from the same time a year ago.

Other year-on-year comparisons were revealing. Residential building was down 14.1 percent from a year ago, while nonresidential activity was up 12.7 percent. Private nonresidential spending, which captures most industrial activity, was up 1.5 percent in April, after larger gains the two prior months. The public sector also helped offset residential weakness. Federal construction spending was up 0.7 percent, as was spending by state and local governments.

### **Manufacturing Edges Higher**

<http://money.cnn.com/2007/06/01/news/economy/ism.reut/index.htm?postversion=2007060110>

U.S. manufacturing grew a bit more rapidly in May as factory managers restocked depleted inventories. The Institute for Supply Management said its index of national factory activity rose to 55.0 last month from 54.7 in April. Wall Street economists had put the number at 54.0, according to a Reuters poll. A reading above 50 denotes growth.

## **Employment**

### **Private Sector Adds 97,000 Jobs In May**

<http://money.cnn.com/2007/05/30/news/economy/jobs.reut/index.htm?postversion=2007053010>

U.S. private employers likely added 97,000 jobs in May. Over the three months ending in May, estimated job growth in the report has averaged about 85,000.

### **May Jobs Gain Stronger Than Expected**

[http://money.cnn.com/2007/06/01/news/economy/jobs\\_may/index.htm?postversion=2007060108](http://money.cnn.com/2007/06/01/news/economy/jobs_may/index.htm?postversion=2007060108)

Employers added more jobs to their payrolls in May, according to the government's closely-watched jobs report that indicated stronger-than-expected labor market strength. There was a net gain of 157,000 jobs in the month, up from the revised 80,000-job gain in April. The report also showed that average hourly wages rose 6 cents, or to 0.3 percent, to \$17.30. That also was in line with forecasts. The average hourly wage is now up 3.9 percent from a year earlier, which is more than the 2.6 percent gain in prices for the 12 months ending in April.

The job gains came in the service sector. Manufacturing lost 19,000 jobs, while construction employment was unchanged, even in the face of the downturn in home building over the last year.

### **Jobless Claims Tumble**

[http://money.cnn.com/2007/05/31/news/economy/jobless\\_claims.reut/index.htm?postversion=2007053108](http://money.cnn.com/2007/05/31/news/economy/jobless_claims.reut/index.htm?postversion=2007053108)

The number of U.S. workers filing initial claims for jobless aid fell a bigger-than-expected 4,000 last week, underscoring a steady labor market. First-time applications for state unemployment insurance benefits dropped to 310,000 in the week ended May 26, from an upwardly revised 314,000 the prior week. The closely watched four-week moving average of initial jobless claims, which flushes out weekly fluctuations, inched up to 304,500 from 303,500 the prior week.

The number of people remaining on the benefit rolls after drawing an initial week of aid fell 52,000 to 2.47 million in the week ended May 19, the latest period these figures were available.

### **Monster U.S. Online Jobs Index Rises In May**

[http://news.yahoo.com/s/nm/20070531/bs\\_nm/economy\\_monster\\_employment\\_dc;\\_ylt=Alb7Xn.0I4CbYHyanRX7RbmyBhIF](http://news.yahoo.com/s/nm/20070531/bs_nm/economy_monster_employment_dc;_ylt=Alb7Xn.0I4CbYHyanRX7RbmyBhIF)

A gauge of U.S. online recruitment activity rose for a fifth straight month in May as demand for workers eased slightly but remained strong. The Monster Employment Index rose to 189 points in May from 186 in March and 167 a year ago. The index showed a year-over-year growth of 13 percent, slower than the 14 percent in April. Agriculture, forestry, fishing and hunting category showed the highest rate of increase in online job availabilities in May ahead of the busy summer season for those industries. In contrast, online hiring in the manufacturing sector remained weak this month, while online demand for high-skilled services workers such as managers and engineers moderated.

## **Housing/Oil**

### **Pending Home Sales Fall To Lowest Since '03**

[http://money.cnn.com/2007/06/01/news/economy/pending\\_home\\_sales.reut/index.htm?postversion=2007060110](http://money.cnn.com/2007/06/01/news/economy/pending_home_sales.reut/index.htm?postversion=2007060110)

Pending sales of existing U.S. homes in April unexpectedly fell to its lowest since February 2003. The National Association of Realtors said its Pending Home Sales Index, based on contracts signed in April, fell 3.2 percent to 101.4 from an upwardly revised level of 104.8 in March. The index registered 99.3 in February 2003.

### **Mortgage Applications Fall**

[http://money.cnn.com/2007/05/30/real\\_estate/mortgage\\_applications/index.htm?postversion=2007053010](http://money.cnn.com/2007/05/30/real_estate/mortgage_applications/index.htm?postversion=2007053010)

Mortgage applications declined last week as interest rates hit seven-month highs, according to the Mortgage Bankers Association. The industry group's seasonally adjusted index of mortgage applications fell 7.3 percent to 636.4 in the week ended May 25, from 686.2 one week earlier. The four-week moving average, which smoothes out volatility in the weekly figures, fell by 0.8 percent.

Borrowing costs on 30-year fixed-rate mortgages, excluding fees, averaged 6.32 percent, up from 6.23 the previous week. The rate was at its highest since the week ended Oct. 20.

### **Oil Falls Following Inventory Report**

[http://money.cnn.com/2007/05/31/markets/oil\\_eia/index.htm?postversion=2007053113](http://money.cnn.com/2007/05/31/markets/oil_eia/index.htm?postversion=2007053113)

Oil and gasoline prices fell Wednesday (May 30) after the government said gasoline imports ran at the third highest level ever. U.S. crude for July delivery fell 78 cents to \$62.71 a barrel on the New York Mercantile Exchange.

In its weekly inventory report, the Energy Information Administration said crude supplies fell by 2 million barrels. Refineries ran at 91.1 percent capacity, unchanged from last week and missing the 0.6 percent increase analysts had expected. Gasoline supplies, closely watched as the summer driving season gets under way and running low all year, rose by 1.3 million barrels, in line with estimates.